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Postwar Hungary

By Andrew Gyorgy

Since the end of military operations Danubian Europe has been undergoing a social and political upheaval in which, paradoxically, both Communism and a resurgent nationalism seem to be powerful elements. The most significant contributing factor in this atmosphere of political unrest is the all-too-direct domination of the Soviet Union whose policies are guided by conflicting motivations and divergent objectives, results of the flexible strategic and economic considerations of the Kremlin.[1]

Hungary today is in a more precarious position than any of her Danubian neighbors. Hungarians have not fought heroically for liberation as have the Yugoslavs, nor do they enjoy the political prestige Czechoslovakia accumulated through the democratic experience of twenty years. Hungary has no oil, no significant trade-routes, no vital strategic lines of communication as do Rumania and Bulgaria, no well-defined political boundaries which also afford strategic defense, as in the case of Turkey. In view of all these strikingly unfavorable facts and developments, Hungary's present-day hopes and future aspirations are of necessity aimed toward "a well consolidated domestic policy motivated and vitalized by the momentum of radical reform policies."[2] It is the purpose of this article to show the steps taken in the political reconstruction of post-World War II Hungary as well as the forces working against it.

On February 1, 1946, an official proclamation by the first democratically elected National Assembly unanimously terminated the 945 year-old Hungarian monarchy and declared Hungary a republic. With the simultaneous emergence of a fairly representative and ideologically

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* This article, completed before the Communist putsch of late May, 1947, remains timely as a description of the methods used by a Communist minority to seize power. —The Editors.

1 Soviet policies in Danubian Europe center around three major objectives: 1) to prevent the use of Danubian states as bases for future aggression against Soviet territory; 2) to achieve farreaching social reforms in most of these countries; and 3) to compensate the Soviet people at the expense of the vanquished, who will be forced to contribute heavily to the economic reconstruction of the Soviet Union. Cf. "The Danubian States, Soviet Aims in South-East Europe," *The Times*, London, Nov. 11, 1946, pp. 5 ff.

2 Cf. István Bibó, "A Magyar Demokrácia Válsága, (The Crisis of Hungarian Democracy)" in *Valóság*, October-December, 1945, p. 39.

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broadminded government the varied and checkered cycle of Hungarian constitutional development seemed to have entered a new phase. In the brief span of twenty-eight years this country has passively witnessed five basically different phases of political evolution; from monarchy to republic (1918-1919), from a liberal republican form to violent Communism (1919), then to varying forms of personal dictatorship (1920-1944), and finally a sudden return to at least a temporarily republican type of government (1944-1946). The interregnum between the two rather tentative and superficial experiments in republicanism and democracy brought nothing to Hungary but military defeats, political immorality and a thoroughly bankrupt economy.

The exercise of royal power actually ceased on November 13, 1918 when King Charles IV of the Hapsburg dynasty resigned. In the ensuing constitutional and political vacuum a republican regime was formed under the leadership of Count Michael Karolyi, a well-known Hungarian liberal. This short lived republican government voluntarily yielded within a few months to a ruthless and extreme Communist dictatorship under Moscow-trained Béla Kun.

After the collapse of this disastrous revolution[3] Nicholas Horthy, a former admiral of the Austro-Hungarian navy, succeeded in establishing a reactionary and semi-parliamentarian system of government. Although Horthy's regime excelled at the beginning in the misuse of constitutional formalities, certain attempts at internal political normalization were accomplished under the ten year tenure of Prime Minister Count Stephen Bethlen. On the other hand Bethlen's immediate successors, particularly General Julius Gömbös, inescapably brought about a regression to Hungary's antiquated, pre-World War I system of political and social feudalism. Reaping the full harvest of Hungary's revisionist aspirations, these regimes also helped to pave the way toward a thorough-going German orientation of the country, toward an uninhibited economic and political cooperation with National Socialist Germany, and a close military alliance with other members of the European Axis. The reactionary, Axis-allied regency of Horthy collapsed in the autumn of 1944 when following his sudden request of an armistice with the Red Army, the admiral reigned and was forced by the Gestapo to leave the country.

3 According to Oscar Jászi's brilliant description, Béla Kun's "Communistic revolution followed a pure Russian world-revolutionary model, with chaotic experiments in socialization, dreams of the *sovkhozes*, and occasional hysterical outbursts of terrorism. It was short-lived, but it made a deep impression on Hungary's conservative soul." "The Choices in Hungary," *Foreign Affairs*, April, 1946, p. 456.

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With the liberation of Hungary came the task of restoring the equilibrium of constitutional life and of basic political institutions. Budapest was still under siege when a new provisional government in Debrecen set about reconstructing the country's political life. In December, 1944, elections for a Provisional National Assembly were held in the liberated territories with decidedly favorable results for the Smallholders and Social Democrats. The new National Assembly swiftly confirmed a Provisional Government which succeeded in keeping itself in political power for about a year, thus bridging the constitutional gap created by the utter political confusion of the first few "post-liberation" months.[4]

In 1945 a new electoral law prepared the way for a decisive national election. The new law assured the right of vote to every Hungarian citizen over the age of twenty, regardless of education, religion, sex or social standing. The first election after the liberation of the country was held under the new electoral law and generally conformed with the recent democratic orientation in offering not only a wide franchise but also a choice among six political parties ranging from Conservative to the ubiquitous Communists. The most significant constitutional step in the establishment of a democracy was undoubtedly the inauguration of a Hungarian Republic.[5] The new Law, No. I-1946, on "Hungary's Form of Government" gives an interesting and forceful background-picture of the new Republic. According to the preamble the power of the State rests with the Hungarian people who exercise their legislative authority through the democratically elected National Assembly. The basic document also states that "the republic guarantees to its citizens the natural and inalienable rights of men." On paper this law unde-

4 This provisional government represented all the parties which had taken part in the national resistance movement up to the time of the collapse of the country after a period of German occupation. A detailed party-breakdown of this provisional government headed by General Béla Miklós of the Hungarian Army, shows the following picture among the members of the Cabinet: 3 Social Democrats, 3 Communists, 2 Smallholders, 2 Conservatives, 2 Army Generals who were members of the first Armistice Commission to Moscow when the Horthy Government, in its last desperation, was negotiating for peace with the Red Army. It is interesting to note that of the two portfolios given the Smallholders Party, one was the all-important Ministry of Foreign Affairs while the portfolios of the Communists included the bases of economic reconstruction, trade, agriculture and communications.

5 A series of conferences and meetings held in January, 1946 among members of Hungary's leading political parties decided on the abolition of the Monarchy and on the establishment of a Hungarian Republic. These decisions were later endorsed by the new Hungarian National Assembly in its first parliamentary sessions. Cf. issues of the Hungarian daily, *Magyar Nemzet*, for January and February, 1946. Also John Haire, "Hungary Today," *New Statesman and Nation*, Nov. 10, 1945, pp. 314-315.

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642 niably contains all the elements inherent in a constitutional, republican, representative democracy. In the words of one writer, they "sound like the Bill of Rights and the Four Freedoms rolled into one,"[6] and include personal freedom, right to a life free from oppression, freedom from fear or want, free expression of thought and opinion, free exercise of religion, freedom of assembly and association, right to personal property, to personal security, to work, to a livelihood, to free education, and the right to participate in the life of the state and in local government.[7]

There are no *constitutional* impediments in Hungary to the "free and unfettered" practice of political democracy, although factual developments have seldom corresponded to legal documents. Governmental powers are satisfactorily outlined in the text of the laws and carefully separated from each other; the National Assembly possesses all legislative power, while executive authority rests with a cabinet of ministers responsible to the Assembly. The President, as head of the Republic, is elected for a four-year term and cannot be reelected successively. The President's official functions are carefully limited by law and include such powers as the appointment of a Prime Minister, confirmation of Cabinet members, and the appointment of diplomatic envoys. The President has the right of vetoing legislation passed by the Assembly, but if the same law is passed again, he is obliged to sign it. He can be impeached by the Assembly for violations of the law or of the constitution.

641 These broad constitutional outlines were subsequently limited by restrictive legislation. A governmental decree, published in June, 1946, provided that the right of supervising political associations shall be exercised by the Minister of the Interior.[8] Simultaneously a law on *The Defense of Hungarian Democracy* defined as criminal any incitement against the republican form of government, against a race or religion, against the equality of all citizens, and in general, any infringement of 687 specific civil liberties. This defense law has since served as the constitu- 727 tional basis for war criminal trials in Hungary. Its provisions were invoked in setting up the juridical procedure for the People's Courts and

6 George A. Lanyi, "Hungary Aims at Liberty For All in Republic," *The Christian Science Monitor*, Feb. 5, 1946, pp. 1 and 6.

7 Cf. Public Law No. I, officially published on May 27, 1946, under the title of *Act on the Protection of Human Rights*; official translation by *Hungarian Legal News Service*, Budapest, Aug. 1, 1946.

8 Decree 7300/1946 M.E., published June 28, 1946, H.G. 144.

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the People's public prosecution of all war-crimes against the Hungarian nation.

Actually trials of war-criminals were started soon after Hungary's liberation was completed. Only the trials of certain major offenders bear any relevance to strictly constitutional or political issues. The trial of Béla Imrédy, former Premier heading the impressive list of "criminals against the Nation," focussed world-wide attention on the dual problems of individual war-guilt, and legal responsibility for aiding and participating in Fascist aggression. In an emotionally eloquent indictment speech, Zoltàn Horvàth, a Social Democratic political solicitor, clearly stated that the former Premier and acknowledged leader of various factions within the notorious "Arrow Cross" movement would have to face personal responsibility for many of Hungary's disasters. "From anti-Jewish legislation to the concentration camp of Auschwitz, from the Anti-Comintern to the ruined bridges of Budapest, from economic surrender to the complete plunder and eventual ruination of the country, there is a single straight line connecting the two terminal dates, 1938 and 1945. Imrédy was the prime instigator, self-appointed apostle and legislator, the most insistent advocate of all these political moves."[9]

For over a year the People's Courts were kept busy sentencing individual political leaders who played prominent roles in Hungary's most reactionary period. Former Cabinet members, public servants, diplomatic representatives and newspapermen were purged in a continuous flow of swift and efficient trials. While public opinion generally accepted the constitutional and political necessity of liquidating such prime war-criminals as Imrédy and Foreign Minister Làszló Bàrdossy, lately a quiet resentment, a mute opposition has developed against the interminable series of war-trials. Critics of the present coalition government contend that the purge of war-criminals was originally conceived of and carried out in the spirit of a sincere and desirable political movement, but it has gradually degenerated into a sinister judicial farce where "the cry for

9 Cf. S. Szalai-Z. Horváth, *A Szociáldemokrata Párt Vádat Emel*, (Budapest, 1946) p. 38. Other war-criminal trials followed in the footsteps of the Imrédy case. Most fascist leaders of pre-war Hungary were sentenced to death by unanimous verdicts of the courts. Only recently was the death-sentence of András Tasnádi-Nagy revised by the court of appeal and changed to a life-sentence. Tasnádi-Nagy was the president of the Lower House of Parliament, a former Minister of Justice who served in various cabinets between 1939 and 1945, particularly in the Sztójay Cabinet of 1944. He was also President of the Parliament under the Hungarian National Socialists whom he eventually followed to western Hungary and to Austria in their last-minute flight. Cf. "The Continuation of War Criminal Trials in Hungary," *Neue Zürcher Zeitung*, Jan. 2, 1947, p. 2.

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fresh victims seems inexhaustible. The purge of the public services was scarcely completed when the demand was raised for new large-scale dismissals."[10] Recent guilt-trials have increasingly reflected the eminently vindictive, purely partisan motivation of Hungary's new ruler, the Communist Party, whose leaders have never hesitated to bare their extreme ideological bias, turning it offensively and indiscriminately against the champions of alleged political or economic reaction.

Political Parties and Domestic Politics

The composition of the first post-war coalition government corresponded roughly to the results of the country's post-liberation election. The number of votes cast reached almost five million; of these the Smallholders Party polled well over two and a half million while the combined votes cast for the Communist and Social Democratic Parties barely exceeded one and a half million. Obviously, the elections of November 1945 inflicted an undisguised and significant defeat upon the two extreme leftist parties, particularly on the Communists, while temporarily assuring the middle-of-the-road Smallholders Party of a decisive governmental majority. The Smallholders' victory was most overwhelming in Budapest where the ratio of Communist votes was even lower than in the rest of the country. The new coalition government was built around nine members of the Smallholders Party and four members each of the Social Democratic and Communist Parties.

Several unexpected political developments were in startling contrast with this first chapter of democratic renaissance. The constitutional significance of national elections was considerably deflated by the pre-election agreement of the three major political parties to continue their coalition *regardless of the results of these popular elections.* This partisan maneuver gave the Communists an opportunity to exercise undue power, also displayed a strange "ballot-proof" version, a disappointingly autocratic appraisal of the role of national elections in parliamentary forms of government. According to its official interpretation, the agreement "was absolutely necessary to maintain national unity. There were such serious problems to be solved that none of the parties could attempt to undertake the task alone. For this reason . . . the major parties of the Hungarian Independence Front have agreed to maintain the

10 Cf. J. O., "Hungary Between East and West," *The World Today*, May, 1946, p. 214.

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coalition government after the elections. Their unity was also characterized by the fact that discussions about the formation of the coalition Government began on the day of the elections."[11] This somewhat prematurely formed government was under the titular leadership of Zoltàn Tildy of the majority Smallholders Party, but in reality the reins of power were tightly controlled by two new political leaders. Through a flexible "general staff" arrangement which permitted them to become Deputy Prime Ministers without portfolio, Arpàd Szakasits of the Social Democratic and Màtyás Rákosi of the Communist Party have wielded the decisive balance of power in the cabinet ever since the formally correct but politically meaningless national elections of November, 1945. The power relationships did not alter noticeably when Zoltán Tildy was elected president of the new Republic and his post was taken by Ferenc Nagy, former President of the National Assembly and a colorless and conservative member of the same Smallholders Party.[12]

The weakness of native liberal peasant movements is another disturbing element in the post-war situation. Obviously, neither in Hungary nor in the surrounding Danubian countries is the majority of the peasantry adequately represented by the parties of either Left or Right; in fact, it has no more political representation today than it had under various pre-war regimes. Between the two World Wars only one liberal Hungarian peasant group, the Independent Small Farmers Party, had moments of political influence under the effective leadership of Gaszton Gál. Even this movement was doomed by the semi-feudal and aggressive rule of successive governments and the small land-holders who should have actually formed the political backbone of the country

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11 Cf. Istcan Száva, *New Hungarian Domestic Policy* (Budapest, 1946), pp. 34-35. (Published in English). The author of this official account also gives a complete and significant summary of the principal objectives of Hungary's first "popularly elected" post-war government. These involved the following problems: to guarantee the food supplies, to break down the prices and inflation, to nationalize the mines and key-industries, to guarantee order and public security, and *to overcome the reaction*. In the light of the recent conspiracy and the seemingly wholesale liquidation of all "reaction," this early war-objective of the Government is certainly noteworthy.

12 According to official Hungarian interpretation, "The change in the person of the Premier did not affect the composition of the government; there were also minor changes in the cabinet without affecting the principles upon which the coalition was based." I. Száva, *New Hungarian Domestic Policy*, p. 35. Despite several sharp political reversals, Ferenc Nagy is still Prime Minister in the present coalition government.

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were gradually reduced to the role of an impoverished and underemployed proletariat.[13]

Most of the left-wing peasant leaders who survived the years of Nazi terror have now joined forces with the Social Democrats and the Communists. When the first post-liberation government was formed in Debrecen in 1944 the young and intellectually alert group of "village explorers" combined in a promising new National Peasant Party. Although the Communists encouraged this group, the results of the national elections in 1945 did not justify early hopes. Revolutionary minded peasants voted for the Communists while the vast majority of village and farm voters chose the more conservative Smallholders. Thus the Peasant Party has been given mere ceremonial recognition in the coalition government; it has only one member in the Cabinet, a small and subdued group of twenty-three representatives in the National Assembly.

What is the nature and political program of the Smallholders Party? Founded in 1930 as an opposition group to Horthy's "semi-parliamentarian" regime, this party has always relied on the support of certain broad segments of the population, such as a conservative agrarian class and the more liberal urban intellectuals. In its present composition the group is primarily a bourgeois and middle-class bloc cemented together by the obvious reluctance of its members to accept the ideas, men or slogans of either the extreme Left or the extreme Right. Hungary's Smallholders Party represents, on the whole, the conservative-democratic interests of the country. It has achieved temporary success because of its decidedly mixed membership which ranges in its elements from "progressivism" to "reaction." To retain an internal political balance it firmly believes in tolerance and consistently preaches moderation. Aptly stated in the words of its present leader, Premier Ferenc Nagy: "The Smallholders are not interested in attacking anybody but if com-

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13 The present Smallholders Party has never represented the economically submerged or depressed elements of the peasantry. If it did speak for the agricultural classes at all (a doubtful premise in itself), it upheld primarily the interests of the "kulak" group. Not unlike other Danubian peasant groups it was run by typical townsmen, such as Tibor Eckhardt or Ferenc Nagy. Cf. "Danubian Peasant Parties," *The Economist*, Jan. 11, 1947, pp. 54-55.

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pelled to fight, they will defend themselves fully and will participate in the struggle, hoping to promote the cause of peace."[14]

The Social Democratic Party originally assumed the role of bridging the gap between Left and Right, thus helping to stabilize and unify the divergent elements of political leadership. Nothing could be more vital for the future of Hungary, particularly in domestic politics, than the maintenance of a strong center, progressive but not violent, popular without being extremist. The Socialist members of the coalition cabinet have in the beginning ably performed the role of economic and political mediation. They held the portfolios of Justice, Industry and Commerce, in an attempt to balance well-entrenched Communist power, manifested in the key-posts of the Ministries of the Interior, Popular Welfare and Communications.[15]

Recently, however, a significant shift of political positions occurred upsetting the precarious equilibrium of domestic politics. The Thirty-Fifth Official Congress of the Social Democratic Party, meeting in Budapest in February 1947, ended with a widely publicized and spectacular victory of its extreme left-wing leaders over the more conservative right-wing members who seemed to have been completely discredited. This bitter discord within the party was the climax of a long process of disagreement with an ever widening area of political misunderstanding and intolerance. The final outcome of the Social Democratic Congress was the dramatic decision of the present Party leadership to liquidate its moderate members and to integrate its activities with those of the Communist Party. For all practical purposes the Social Democratic Party thus ceased to exist independently and has entered the uncertain path of cooperation with the Communists.[16]

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14 Cf. *Hungarian Information Service*, published by the Hungarian Legation, Washington, D. C., issue of Mar. 4, 1947, pp. 3-4. These desperate and embittered words were uttered in the course of the liquidation of the recent "reactionary" conspiracy. The conspiracy-scare finally led to a purge of the Smallholders Party and to a full-fledged domestic political crises.

15 The Smallholders have managed to retain several important portfolios, such as the Ministries of Foreign Affairs, Finance, War and Propaganda.

16 Cf. *Népszava*, official daily paper of the Social Democratic Party, especially in issues of Feb. 1-8, 1947, front-page accounts of the exact progress of the Party Congress. Cf. *The Manchester Guardian*, (Feb. 7, 1947, p. 4.) in a cautious but informative editorial which clearly raises the fundamental issue, "The question that remains is how far the Social Democratic Party, as at present led and constituted, can continue to exist independently . . . and yet in cooperation with the Communists." The more recent behavior of certain Social Democratic leaders has dispelled all doubt concerning the outcome of this political dilemma.

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665 The new coalition of the Left has several aggressive champions. Vice Prime Minister Arpád Szakasits, a fairly experienced and flexible politician who seems to dominate his less astute colleagues in the Social Democratic Party, forcefully outlined the changed objectives and attitudes of the extreme Left. "As a Party we have clearly decided to participate in reconstruction, break up feudalism, pave the way for nationalization, rebuild the civil administration of the state and wage merciless war against reaction—in any form . . . The trend of our foreign policy is deeply influenced not only by our geographical proximity but by the obvious recognition that the Soviet Union is the defender of world peace and the friend of all free peoples. In domestic politics we shall follow a similar course; if there is a change, it will be in a positive direction. Our alliance and cooperation with the Communist Party will be drawn even tighter than it has been in the past."[17]

665 Even Mátyas Rákosi, official leader of the Communist Party, could 648 not have expressed the objectives and aspirations of his group any better than Szakasits. Rákosi's own political arguments would be far less convincing without the continued occupation of Soviet troops and military officials. The hard core of the Hungarian Communist Party is a group of about eighty trained leaders who wield almost all actual political power and direct the daily conduct of the nation's affairs. Most of them have managed to retain their original Soviet citizenship; all of the influential members of the Party have spent several years in Moscow, partly because the Horthy government never tolerated their presence in Hungary, partly to complete the process of political indoctrination and education for eventual leadership.

665 Rákosi spent most of the inter-war period either in the Soviet Union or in Hungary's jails which were unusually receptive to Communist leaders on almost any echelon of authority. His first major political role was participation in Béla Kun's ill-fated revolution of 1918-1919. In 1920 he quietly emigrated to Russia, returning to Hungary in 1925 as leader of the illegal Communist Party. He was arrested soon after his return and condemned to eight years in prison. Having completed his first prison term, another suit was filed against him on charges of "uninterrupted revolutionary activities"; this time (January 1937) he was condemned to life imprisonment. Under increasing Soviet pressure the

17 This significant address was given at a plenary session of the Social Democrats' National Party Congress in Budapest, and reported in detail in *Népszava*, Feb. 12, 1947, pp. 2-3.

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Hungarian government finally released him, and in 1940 exchanged him for several Hungarian agents held in the prisons of Soviet Russia.[18] Rákosi again returned to Hungary in January 1945, as official leader and Secretary General of the Hungarian Communist Party. Since November 1945 he has been a member of the Government as one of the three Vice Prime Ministers.

For the past two years Rákosi has been the guiding power and top policy maker of the Communist Party. Until the recent conspiracy and crisis in domestic politics, his attitude appeared to be one of conciliation and of professed belief in the coalition government. If statements of Communist leaders can be taken at their face value, Rákosi's group was apparently not intent on establishing a sweeping or exclusive political control of the country's domestic life—at least not during an initial period of post-war reconstruction fraught with its own particular brand of difficulties. Even as late as June 1946, Rákosi emphatically declared that his Party did not aim at dictatorship but at "effective collaboration in a concentration of national forces."[19] This statement implied the tactical decision of a continuing participation in a three-party coalition. The Communists thus refrained for a while from an open split of political life into a crippling tug-of-war between government and opposition; the primary objectives of Hungary's reconstruction (land reform, currency stabilization, gradual nationalization) were for the greater part achieved in this period of inter-party truce conceived in an atmosphere of ideological moderation.

By the winter of 1946 the blueprint of Communist party tactics revealed a drastic change in political attitudes. A second phase of *Gleichschaltung* activities was launched coincident with the slow withdrawal of the Red Army occupational troops, the signing of satellite peace treaties and with a slight increase in political interest and economic pressure from the West. The ultimate purpose of this phase was clear to all

18 This item of political information is not generally known, for Rákosi's exchange was the result of secret negotiations between the two governments. Official biographies touch rather lightly on this transitional period in Rákosi's life. Cf. a recent press-release of the Hungarian Information Service, published by the Hungarian Legation in Washington, D. C., which simply states that "In 1940, due to the Soviet Union's intervention, Rákosi was freed. Then he emigrated to the Soviet Union." *Hungarian Press Release*, No. 7, June 10, 1946.

19 Cf. *Magyar Nemzet*, issues of June, 1946. These comments were widely quoted and discussed in the Hungarian press, which faithfully records every Communist utterance, regardless of its political significance.

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interested observers, particularly as the shaky foundations of the coalition government, built on a tenuous layer of last minute political compromises, collapsed almost immediately under their own weight.

In January and February 1947 several hundred persons were suddenly arrested by the police. The Communist Ministry of the Interior claimed that a large-scale and secret conspiracy was under way with the object of restoring the rule of Nicholas Horthy who fled the country in October 1944. The conspirators were accused of wanting to establish their own government, drawing largely on personnel associated with Horthy's regime. To achieve this it was stated, they organized the secret *Magyar Közösség* (Hungarian Unity Society) which was controlled by two small groups of the counterrevolutionary elite, a political Committee of Seven and a military Commission of Six. The discovery of this conspiracy and the ensuing purge were carefully timed so as to remove certain potentially dangerous anti-Communist elements before the Soviet Army would have to leave the country.[20]

The purge of "reactionary plotters" was directed against two definite groups in Hungary's public life, the Army and the Smallholders Party. It first intended to remove a few high-ranking Army leaders in order to streamline the remaining meager armed forces of the country. The Army would thus be re-screened into a highly reliable political force under the leadership of such extreme Communists as General Pálffy who has been the real power in the Ministry of War ever since the first reorganization by the coalition government. It is interesting to note that among the first few persons arrested in this "rightist-reactionary conspiracy against the state"[21] were many of the chief protagonists of the Hungarian-Soviet armistice negotiations of 1944-1945, men who spent several months in Moscow preparatory to the final surrender. General Vörös, Faraghó and Almássy were leaders of this group, and their arrests were carried out by the Communist controlled Political Department of the War Ministry, an organization which played a notorious

20 According to the terms of the peace treaty, ninety days after ratification all Soviet troops except for a few units guarding the lines of communication between Russia and Austria must be withdrawn from Hungary.

21 Cf. *Szabad Szó*, organ of the National Peasant Party, Jan. 16, 1947, and *Világ*, Jan. 18, 1947. News of a "fascist" conspiracy quickly spread abroad where it caused immediate speculations concerning the future destinies of Hungary, involving the inevitability of a Communist dictatorship. Cf. "Die Verhaftungen in Budapest," *Neue Zürcher Zeitung*, Jan. 3, 4, 5 and 6, 1947; "Hungarian Arrests, Alleged Foreign Aid to Conspirators," *The Manchester Guardian*, Jan. 18, 1947; "Hungarian General Flees, and Hungarian Communist Demands," *The Times*, London, Jan. 14, 1947; C. M. Rodney, "The Hungarian Conspiracy," *The Central European Observer*, Jan. 24, 1947.

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role throughout the liquidation of the conspiracy. The Army leader most seriously implicated was Major General Lajos Dálnoki-Veress, who apparently served as head of *Magyar Közösség*, central organ of the reactionary plot. When the conspiracy was unmasked, the Ministry of the Interior used General Veress' "full confession" to complete the list of suspects; within a few days it arrested well over one hundred "fascist criminals," including six deputies of the Smallholders Party.[22]

As the Communists and Socialists continued to tighten control over the government, the weeding out of anti-democratic factions involved primarily three important Cabinet Ministries; Foreign Affairs, Agriculture and Reconstruction. Again the most prominent victims proved to be members of the Smallholders Party. The Ministry of Interior suddenly insisted that one of the anti-Communist members of Parliament, Béla Kovács, secretary of the Smallholders Party, be arrested. In Kovács' case all previous formalities were neglected; he was summarily jailed by Soviet occupational authorities on a set of charges including espionage against the Soviet Army, terrorism against the Russian occupation forces and participation in the formation of armed anti-Soviet groups.

Shortly after these arrests, Vice-Premier Rákosi demanded a national election, a new popular mandate to the two workers' parties by which Hungary's achievements could effectively be insured and decisive steps be taken in the fight of progressivism against feudalism. The Social Democratic Party fully supported Communist demands throughout these revolutionary developments. Giving a new and more flexible definition of democracy in Hungary, Arpád Szakasits explained at a Communist-Socialist rally that the Government could no longer be based on "mere arithmetical illusions." He argued that the "unnatural" electoral victory of the Smallholders could not form the basis of political rights. "We have always demanded a thorough purge of the Smallholders Party, and told its leaders *to abandon arithmetical illusions. We urged them to allow only peasants and other honest people to speak in their councils.*"[23]

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22 Cf. "Die Verhaftungen in Budapest, Ein Communique des Innenministeriums," *Neue Zürcher Zeitung*, Jan. 6, 1947, front page; Albion Ross, "Hungary Reports Plot to Restore Horthy to Power," *The New York Times*, Jan. 5, 1947, pp. 1 and 35. László Rajk, Communist Minister of the Interior, controls the entire police system; he is not a Moscow emigré, but an extremist fanatic for whom even the Moscow-trained group of Communists is too slow. His brother was a Nazi stormtrooper, he himself is a fairly young ex-schoolteacher. Rajk was instrumental in carrying out the full-fledged purge of the Hungarian Army.

23 Cf. *Magyar Nemzet*, Jan. 19, 1947, p. 1. (Italics mine.)

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665 648 661 At this stage of developments Western public opinion began to show interest in Hungary's first major post-war crisis, symbolic of the deepening rift between East and West. Secretary of State Marshall transmitted several strong American protests to the Soviet Union over its recent actions in Hungary. The notes encompassed the full scope of the country's serious internal crisis as they protested the Soviet "attempt to nullify the electoral mandate given by the Hungarian people," criticized the Red Army for arresting Kovács, expressed the U. S. Government's "feeling of concern", and finally requested a thorough Soviet-American investigation of the situation. Although there were no direct replies from the Hungarian Government, Lieutenant General V. P. Sviridov, Soviet chairman of the A.C.C. for Hungary, rejected the notes and categorically stated that the Smallholders Party, its leaders and party members admitted that the party had been involved in the conspiracy. "The conspiracy itself is being investigated by a People's Court provided for by the Hungarian Constitution."[24]

665 661 These internal purges were obviously intended to destroy the ideologically balanced elements of post-war Hungarian politics. A ruthless liquidation of the Smallholders Party and its parliamentary majority contributed not only to a closer cooperation of the parties of the Left, but actually opened the way for a Communist-dominated bloc such as now rules Poland, Rumania and Bulgaria. While the discovery of a right wing plot was of decisive value to the Communist Party, the coalition government which has survived several previous crises was in effect permanently crippled by it, and the influence of the Smallholders was considerably reduced by forcing them from one capitulation to another.

Press and Propaganda

204 Closely following the pattern of internal political developments, the trend of Hungarian newspaper writing has shifted considerably in the past few months. Today the Communist and Social Democratic press dominates the scene, displacing both in volume and political intensity the more moderate type of journalism characteristic of the immediate post-liberation period. The full impact of the *putsch* is

24 Cf. John MacCormac, "Russia Rejects U. S. Hungary Note," *The New York Times*, Mar. 9, 1947. Although officially suppressed, the American note of protest gained wide publicity and circulation in Budapest. The American Government's information service distributed over 10,000 copies of the Hungarian translation of this note in an effort to influence future party strategies and to bolster up the morale of the Small holders Party.

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most clearly shown in writings of the Social Democrats. Recent publications of this political group tend to be extremely pro-Soviet, continually stressing the close alliance between the Soviet Union and Hungary, and the friendly and cordial relations between the Communist and Social Democratic Parties.

The Social Democratic daily, *Világosság*, is a storehouse of interesting and pertinent political information. One of the most colorful members of the Party, Anna Kéthly, a respected and widely known old-line Socialist, serves both as editor of *Világosság* and as vice-president of the lower house of Parliament. Recent issues have given complete accounts of the joint sessions of Communists and Social Democrats under the auspices of the two Vice-Prime Ministers, Szakasits and Rákosi. The two parties have decided to sponsor a new *Cultural Society of Workers* dedicated "to the cultural and social promotion of the common objectives of Hungary's two Workers' Parties."[25] Cultural cooperation between the U.S.S.R. and Hungary is equally emphasized by *Világosság*. During the winter of 1946 a great deal of space was given to reviews describing guest performances of the Russian Military Theater of Kiev, which spent several weeks in Budapest. Friendliness toward the military and occupational policies of the great Eastern neighbor logically follows the stress on cultural cooperation. Soviet personalities are frequently discussed and party journalists do not fail to express their unbounded admiration. Marshal Vorosilov, until recently commander of Soviet occupational forces in Hungary, was hailed as "the country's most sincere friend who did everything in his power to insure the most lenient application of the armistice terms."[26] This orientation is supplemented by a determined anti-Western attitude in foreign political writings. Under the heading "Where are the workers' living conditions best?" *Világosság* states that according to the detailed surveys of American newspapers (?) the skilled industrial workers' living standards are better in the Soviet Union than in any other part of the world.[27] Sweden and the United States admittedly have very high living standards, but the economic performance of the U.S.S.R. and Sweden clearly illustrate what Communist and Social Democratic leadership can achieve in a modern society.

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25 Cf. *Világosság*, Budapest, Dec. 1, 1946, p. 1, and several subsequent issues, invariably devoting front page space to such attempts at inter-party cooperation.

26 Cf. *A Magyar Nemzet Naplára*, Budapest, 1947, pp. 43-44.

27 Cf. *Világosság*, Jan. 17, 1947, p. 3.

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The Communist newspapers[28] reflect similar thought patterns, more forcibly expressed and more generously documented. The single monthly periodical, *Társadalmi Szemle* (*Social Survey*), presents a violent version of party-line views and opinions under its bannerhead *The Scientific Periodical of the Hungarian Communist Party*. A recent article by its editor, Béla Fogarasi, serves as an appropriate illustration of the narrow mentality of Hungary's Communists. Commenting on Churchill's Fulton, Missouri, speech, the author states that "To prove that there is no democracy in Southeastern Europe, Churchill cites the inordinate growth of Communist parties. Danubian peoples, however, reason differently from Mr. Churchill. They are fully aware that *there can be no democracy without Communist parties*, . . . their self-confidence is also considerably increased by Marshal Stalin, who has frequently stated that they could freely rely on the sympathy and assistance of a real world power, the Soviet Union."[29]

In spite of recent revolutionary developments a few politically moderate periodicals seem to have survived. As the leftist bloc gains in strength and cohesion the number of these survivors will in all probability sharply decrease. Their present position is as precarious as the political destinies of the coalition government itself. Of these products of semi-liberal journalism *Magyar Nemzet* and *Haladás* are the most representative and reliable. *Magyar Nemzet* excells in its foreign news coverage and thus supplies valuable information on political developments in the rest of Danubian Europe. Its attitude toward the West is friendly, its opinions on international organization constructive.[30] *Haladás* (*Progress*) is the weekly paper of a political non-entity, the Hungarian Radical Party, which nevertheless appears to camouflage a determined and intellectually effective group of professional people who have found a forceful and critical spokesman in the person of the

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28 Best known among these are *Szabad Nép* (Free People) and *Szabadság* (Freedom), both of them daily papers, and *Szabad Föld* (Free Land), a weekly for "the Agricultural Class of Hungary."

29 Cf. Béla Fogarasi, "A dunai népek együttmüködése (The Cooperation of Danubian Peoples)," *Társadalmi Szemle*, May, 1946, pp. 354 *et seq.*

30 In December, 1946 *Magyar Nemzet* reported in detail on two important conferences. One of these was the meeting of the Social Democratic Parties of Central Europe in Prague, with representatives of the Socialist Parties of Hungary, Czechoslovakia, Austria, Poland, Bulgaria and Rumania. The strong Hungarian delegation was led by Anna Kéthly. The other meeting of international significance was the All-Slav Congress of Belgrade, held in order "to promote Slavic unity and brotherhood." According to this report, the Congress was primarily a meeting of the cultural representatives of the Slavic peoples and did not aim at the establishment of an all-Eastern European Slavic bloc. *Magyar Nemzet*, Dec. 8 and 9, 1946, p. 1.

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editor, Béla Zsolt. From all indications, Zsolt's articles carry a great deal of weight in influencing the public opinion of Budapest. The Smallholders' weekly publication, *Reggel*, manages to supply a detailed and interesting coverage of domestic developments, both economic and political. Such measures of internal reconstruction as the application of a nation-wide martial law and death penalties to black marketeers and smugglers are conscientiously discussed and appraised in *Reggel*.[31]

Few foreign language publications have penetrated the intellectual "iron curtain" around Hungary; Western political and literary materials cannot be disseminated. Soviet authorities officially protested in the fall of 1946 against the publication and distribution of the U. S. State Department Bulletin containing primarily official documents. The American Legation in Budapest, backed up by the State Department, has nevertheless continued to distribute the Bulletin on a mailing list basis. About 500 English language and 500 Hungarian copies are regularly sent to newspapers, and to a few carefully selected government officials.

Propaganda matters are handled by the Ministry of Public Information whose official objectives involve the "information and *influencing* of Hungarian public opinion." Democracy has to be accepted, states an official bulletin of Public Information, even by those who were misled by the destructive propaganda of the past few years and have thus far proved incapable of adapting themselves to Hungary's present-day democracy.[32] These broad and aggressive objectives were gradually implemented by such officials as the present Minister of Information, József Bognár, theoretically a Smallholder, in reality of the extreme Left. According to recent newspaper reports, his Ministry has organized hundreds of political and cultural indoctrination courses, given both in Budapest and in provincial communities under the personal supervision of Bognár. The courses deal with "timely political and social questions, including such problems as participation of the peasant class in a democracy and the successful methods of national planning."[33] Propaganda and press are closely interwoven in present

31 This drastic executive order was put into effect in December, 1946. Judges are in permanent sessions to deal with such cases without delay. In addition to Budapest tribunals, twenty-two provincial courts are handling "crimes" connected with black-market operations. Penalties range for a minimum of ten years' imprisonment to death sentences. Cf. *Reggel*, Dec. 2, 1946, p. 5.

32 Quoted in *Világ*, Nov. 23, 1946, p. 2.

33 Cf. *Magyar Nemzet*, Nov. 22, 1946, p. 3. The report indicates that there are over one hundred students in each course, the period of instruction covering about two weeks.

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204 Propaganda and press are closely interwoven in present
208 day Hungary, exerting an ever-increasing political pressure on all phases of post-war reconstruction.

State Versus Religion

659 Until recently both Soviet occupational authorities and the Hungarian Communists have avoided restricting by legislation the country's religious liberty. On the contrary, in order to disarm criticism by religious groups, the coalition government introduced legal measures to restore "the rights of individual communities belonging to accepted and recognized religions which were abolished by earlier Fascist regulations."[34] There has been a definite increase of popular attachment to the Roman Catholic Church which has retained its strong
793 influence on public opinion. The present Catholic leader of Hungary,
659 Joseph Cardinal Mindszenty, is very outspoken on moral and national matters and has taken a definite stand on contemporary issues. During the war he protested on several occasions against particular actions of the German and Hungarian Fascists.[35] As Bishop of Veszprém he was repeatedly mistreated by gangs of the Fascist Arrow Cross followers. He severely criticized the land reform which deprived the Church of over half a million acres by limiting all ecclesiastical holdings to less than one hundred acres each. More recently in a letter addressed to the Minister of Justice he complained about the mistreatment of war criminals. As a Catholic leader he continually emphasized his anti-Communist sentiments and his disapproval of the methods and severity of Soviet occupation.

793 Some of Cardinal Mindszenty's close followers recently submitted
661 a plan which would put Hungary's reconstruction on a broader and more democratic basis. This project entails a four-power supervision of the Hungarian Army and police force after the withdrawal of Soviet

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34 Decree 6270/1946 M.E., published June 4, 1946, H.G. 125.

35 In June, 1944, in a joint pastoral circular letter with the then Cardinal Justinian Serédi he stated that: "Precisely now, because we are in this dreadful world war, we are in the greatest need of the help of God. . . . In these very times we see with unutterable sadness that here, in Christian Hungary, successive orders were decreed which are opposed to the laws of God. These edicts have infringed upon, and even totally taken away the inborn rights of a part of our Hungarian fellow-citizens . . . and they are persecuted exclusively on account of their racial origin, without proving their individual crimes, if any, and without the procedure prescribed by law. You also could readily understand the injustice of such action, if you were deprived of your rights in this manner." This pastoral letter was ordered read in every Catholic church in the country. It has recently been reprinted in its full text, in English, as part of a documentary collection of Catholic speeches and statements, *Important Declarations of J. Serédi, Taken From his Pastoral Letters and Speeches Which Refer to Actual Ecclesiastico-Political Questions* (Budapest, 1946), pp. 28-37.

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troops from Hungary. The supervision outlined by the planners would be integrated and general rather than of a zonal character. It is aimed at the armed and police forces of Hungary which are under strict Communist party control at present. Mindszenty's followers also contend that a majority of the people would oppose Communist control with force and that the recent ill-starred plot in Hungary was a mere foretaste of what might come. These members of the small Liberty party and of the formerly dominant Smallholders appealed to London and Washington in the hope of getting "one last opportunity of preventing the establishment of a completely Communist dictatorship in Hungary."[36]

In the past year relations between the Church and State deteriorated rapidly until the Church now stands in open opposition to the government. Catholic youth organizations and many of the parochial schools which constitute sixty percent of all educational institutions were accused of "reactionary and fascist" activities and subsequently closed. Several outstanding Catholic leaders were jailed along with members of the Smallholders majority, and recently determined attempts were made to prevent Cardinal Mindszenty's departure for Rome. Even the relatively free intellectual atmosphere of Budapest has suffered under the impact of these restrictive measures which have created a serious rift between the country's political rulers and its largely Catholic public opinion. Prophetic indeed are the words of a Catholic writer, Jenō Katona: "Hungarian Catholicism is undergoing its most severe historical crisis, its most profound social and political transformation in many centuries. The Church had two fundamental problems, its feudal wealth based on land holdings and its dependence on the secular power of the State. . . . The entire social structure rooted in land-monopoly has now been blasted by outside forces. After the present conflict subsides the Hungarian Catholic Church will emerge as a new social-minded church, not the representative of a feudal agrarian-capitalism."[37] In the meantime the Church stands *for* connections with Rome and the Western world, *against* Communism and the spread of Soviet domination.

The Economic Reconstruction

A drastic land reform was undoubtedly the most significant step

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36 Cf. C. L. Sulzberger, "Hungarians Hope to Avert Red Coup by 4-Power Rule," *The New York Times*, Feb. 16, 1947.

37 Cf. Jenō Katona, "Katolicizmus és politika," "*Valóság*, March-May, 1946, Vol. II, Nos. 3-5, pp. 42-46. (Translation mine.)

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425 A drastic land reform was undoubtedly the most significant step
491 toward the economic reconstruction of Hungary. This reform was carried out during the period of political truce which characterized the first few months of coalition rule. An executive decree was issued in March 1945 aimed at the confiscation of all lands owned by individuals of a pro-National Socialist record, and at the expropriation of all estates larger than two hundred acres. Farm lands exceeding this size were seized in their entirety without official compensation. Former owners could keep their land only if they were farmers themselves, if they fought against the Nazis or in recognition of special service in the national resistance movement. Farm animals and all forms of agricultural equipment were taken with the estate; land obtained in this manner was divided among small landowners and landless peasants. It was also stated that newly created estates may not exceed one hundred acres.[38]

The objective of this decree was obviously a thoroughgoing redistribution of landed property, a governmental effort "to realize through the abolishment of large estates the old dreams of the Hungarian Peasant, handing over to him his due share of the soil."[39] As the pre-war semi-feudal social structure showed many signs of crumbling, this post-war reform was timely indeed. It compares in some respects favorably with the limited agrarian reform of 1920 which, forced through a reluctant Parliament by István Szabó's early Smallholders Party, left large and medium-sized estates amounting to well over
525 fifty-percent of the land. There were close to three million landless
423 peasants and "dwarf land-holders" who depended for a livelihood mainly on casual labor and payments in kind. The large number of agricultural workers with no definite or fixed employment kept wages low and living conditions almost insufferable. The vast reserve of agricultural manpower contributed both to the unsteadiness of employment and to widespread social discontent; this agrarian problem led

38 This governmental decree was subsequently confirmed by Parliament and included in Law IX of 1946, officially published in May, 1946 as the Land Settlements and Conclusion of the Land Reform Act. The Act also states that "the land of persons who fled to Germany after October 15, 1944, and did not return therefrom by October 31, 1945, will without exception be confiscated." (par. 17.) For further details on economic policies and administrative procedures, Cf. "Chiffres Sur le Ravage et la Résurrection de la Hongrie," *Cahiers de la Nouvelle Hongrie*, Budapest, 1946, p. 17 *et seq.* In English language, cf. László Faragó, "Private Property and Nationalization," *New Hungary*, Dec. 20, 1946, Vol. I No. 7, p. 3.

39 Cf. The Preamble to the decree and the ensuing Act which states that "the system of latifundia will be destroyed in its foundations by the reform of landed property." Law IX–1946.

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to political maladjustments and eventually to the rise and success of extremist political movements.

Set against this unhappy social background the land reform gains added significance. The redistribution of land involved about seven million acres and some 525,000 persons benefitted from it. A few exceptional land owners were allowed to keep as much as 400 acres, but on the whole, the large feudal estates so characteristic of the country disappeared in a few months.[40] But there is also a negative aspect. Although the land reform succeeded in breaking the power of feudal latifundia, it did not solve all of Hungary's agricultural problems. The new beneficiaries are directly responsible for a considerable decrease in national production for many of them have been in desperate need of agricultural equipment and implements. The machine industry could not supply this equipment as it has suffered more severely than any other major industry of the country. It will certainly be long before agriculture recovers and in the meantime, a full-fledged reconstruction of national industry is the principal post-war problem, as well as the key to recovery.

The three year plan officially announced in January 1947 is centered around the overall objective of restoring industry to the 1938 level of production. This comprehensive plan was prepared by special experts of the Social Democratic and Communist Parties with the cooperation of two ex-Hungarian professors of economics, the Communist expert Jenö Varga of Moscow and Nicholas Káldor of London. Administrative details of this national plan closely parallel the Czech, Polish and Yugoslav projects, which propose to reach the economic levels of the last peace-time year by intensive national effort of two to five years of agricultural and industrial reconstruction. Two features are prominent in the Hungarian three year plan; the forced nationalization of mines and industry, and the establishment of new labor unions as a means of broadening the workers' participation in the country's economic life.

40 The land reform measure itself was hastily drawn up and carried out, yet it was the only way to induce peasants to undertake any cultivation in 1945. Consequently by 1946 over 90% of the agricultural land was sown. Cf. "Prospects for Agriculture, Danubian Outlook," *The Economist*, Jan. 4, 1947, pp. 6-7. The land reform was at least as much of a political and social measure as an economic move. As such it had a number of further implications; "a radical change as this cannot be carried out without jolts and jerks. Only after all available lands have been distributed will it be possible to appraise the economic and social consequences." R. Vambery, *Hungary—To Be or Not To Be*, pp. 177-178. For an official English language account cf. "Land Reforms and Reconstruction," Istvan Száva, *New Hungarian Domestic Policy*, pp. 29-32.

[cf. category 116, pp. 316-317 -- Analyst]

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425 Coal mines were first on the list in the nationalization of resources.
471 The nationalization of coal mines was logically followed by all other
[316] sources of energy and by power plants, many of which were owned by foreign corporations. In this respect the same aggressively anti-foreign methods were used that proved so successful in Rumania and Czechoslovakia. Next step in this cycle was the temporary nationalization of heavy industries for a period of at least six years. According to the brief decree of Minister of Industry, Antal Bán, the State will assume direct control of all industries through a Council of Directors which will replace the former system of capitalist owners and boards of directors managing individual corporations.[41] The new Council will serve as the employer of at least 100,000 individual workers and will reach all major executive decisions. The Minister of Industry will, in exceptional cases, serve as the final forum of appeal. Industrial profits will go to the State; if there are losses of operation the State will bear them.

Similar decrees of nationalization have recently been drafted for banks, for all forms of mining and for firms engaged in the distribution of agricultural products. Simultaneously the entire field of domestic and foreign trade was brought under the control and jurisdiction of a new Supreme Economic Council, headed by a leading member of the Communist Party, Zoltán Vas. The Council consists of the members of a new political-managerial class, replacing the earlier group of business leaders who became the victims of Fascist persecution.[42]

467 The three year plan has also provided for the creation of numerous labor unions. Since 1944 the railwaymen, post-office workers, heavy industrial workers and even government employees have formed unions, all of them in branches of industrial and public life where they had been strictly forbidden under earlier regimes. Today the unions are Communist controlled; as early as January 1946 their Communist members joined forces with the left-wing Socialists and as a majority acquired all the key-posts. The Smallholders have only scant representation. The Trade Union Council which is a group of leaders

41 Cf. *Magyar Nemzet*, Nov. 24, 1946, p. 3, for the first official announcement of the government's action, under the heading "Forced Nationalization of Hungary's Heavy Industry."

42 "The National Socialists arrested and later deported *all the leaders of Jewish political and business life* and journalists, together with the Hungarian democratic and anti-Fascist politicians." *Nazi Conspiracy and Aggression*, U. S. Government Publication (Washington, D. C., 1947), Vol. I, Chap. XI, p. 955. (Italics mine.)

1/1 [cf. category 116, pp. 317 --- Analyst]

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selected from all major labor unions is headed by an ardent Communist, Kossa, organizer of the Budapest streetcar workers union.

An essential institution in Hungarian industry is the factory committee, elected by the workers to represent their interests in dealing with the management, or with State officials now serving as replacements for an almost extinct managerial class. These small factory committees are particularly sensitive to party ideology and are permeated by Communist propaganda. Through them the workers are brought into constant contact with political authorities of the State, and their private life is closely watched. At their trade union meetings they are given lectures on foreign and domestic politics devoted frequently to violent hate propaganda against Britain and the United States.[43] Trade unions and factory committees have thus become important tools in the hands of the country's dominant political-economic bloc.

The process of industrial recovery and the strengthening of a new laboring class have suffered considerably by the recent financial disaster which culminated in the inflation of 1946. The country's economic foundations were first weakened by the wave of German looting and seizures of valuable assets and capital goods, estimated at approximately ten billion dollars. The economic deathblow was then delivered by the prompt acquisitiveness with which Soviet Russia reduced occupied Hungary to the role of an economic colony. The threatening upward spiral of prices, wages and nominal money values finally drove out the Pengö, discredited by a long and unchecked period of inflation. The economic situation improved substantially after the stabilization of August 1946 when an old Austro-Hungarian monetary unit, the *forint* (florin), had been established as the fixed national currency. By the end of 1946 industrial capacity was gradually restored to about sixty percent of the pre-war potential, although Hungary continued to pay an exceedingly heavy reparation bill, both in industrial equipment and in current manufacturing production.[44]

Reparations today include nearly all of the country's capital goods

43 Cf. "Workers and Industry, Danubian Outlook." *The Economist*, Jan. 25, 1947, p. 134.

44 N. Káldor estimates that at least one-fourth of the total current production goes to the U.S.S.R. The reparations burden is further enhanced by a strict interpretation of the Potsdam agreement according to which the Russians continue to compute the reparations bill in "dollars of 1938 purchasing power." Nevertheless, Professor Káldor reaches the strange conclusion that "the picture of Soviet Russia as the ruthless economic exploiter of Hungary is far too one-sided." Cf. "The Danubian States," *The Times*, London, Nov. 19, 1946.

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728 Reparations today include nearly all of the country's capital goods
648 production, and through the device of "joint economic collaboration" agreements Soviet control has penetrated all major phases of the economic structure. Particularly farreaching are the agreements in oil and bauxite production, in Danube shipping and in civil aviation. Capital and management are as tightly controlled as if these economic activities had been actually nationalized by the government.[45] Soviet occupational authorities also acquired majority holdings in banks, insurance companies, mining corporations and in most of the remaining non-socialized factories.

Summary

727 Hungary today is in the twilight zone of liberated states; her domestic politics are a mirror-like reflection of the fundamental tensions among the world powers. The post-war era has undoubtedly seen hopes for a real moral and economic transformation of the country spurred on by a series of significant, if temporary, liberal reform moves. Fair national elections resulting in a decisive Communist defeat and in an acceptable coalition government based on the Smallholders, a national party neither ultra-conservative nor revoluntionary,[46] a thorough land reform, a reasonably free press, a stabilized currency, and a moderately successful process of industrial nationalization were promising landmarks at the beginning of the road toward reconstruction.

727 Yet the forces responsible for these significant results were *swiftly*
669 *destroyed by the rising influence of the Communist Party which brought internal disruption and social crisis.* The triumphs of liberation were obscured by an oppressive and prolonged military occupation, and the coalition government gave way to Communist domination which reduced all other parties to silent and non-active partners. The land reform generated conflicts between Church and State as well as between the ex-gentry whose estates were expropriated and new peasant-landholders who now had property but no equipment. The newly won freedom of the press gradually disappeared as the political balance of power shifted and one party emerged as the final arbiter. The swift

45 Elaborate executive decrees were issued to give adequate legal basis to these joint agreements and to earmark the use of most industrial production for reparations. The first four decrees were issued in July, 1946 and consist of the statutes of the Hungarian-Soviet Shipping Company, the Masovol Hungarian-Soviet Crude Oil Company, the Hungarian-Soviet Bauxite-Aluminum Company and the Danubian Aluminum Industry.

46 There was a considerable counter-revolutionary vote in the conservative victory of November, 1945, observes Oscar Jászi, but "it should not be forgotten that the Smallholders Party is not reactionary, nor even conservative, it is a progressive party in favor of social and cultural reforms." "The Choices in Hungary," *Foreign Affairs*, April, 1946, p. 462.

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nationalization of major industries led to similar social conflicts, resulting in the elimination of a former managerial class and in a tight system of production discipline.

Soviet propaganda also contributed its share to the tenseness of the political atmosphere. The Russians effectively destroyed a great deal of the original good will which the workers, peasants and intelligentsia felt for them after liberation. Today the Russians still consider themselves the "generous liberators" and are unable to understand the Hungarian people's ingratitude. After an initial period of incubation these tensions suddenly exploded in the dramatic *putsch* incident. The discovery of this reactionary plot, the widespread arrests of prominent Smallholders, the final undermining of the coalition government's authority and the call for new and unilaterally supervised national elections, all appear to be closely integrated, successive stages in a drive toward the establishment of a one-party dictatorship. In the dogmatic phraseology of a Communist editor, "The Soviet Union supports and effectively aids Danubian peoples in *settling for them their disputed problems in a friendly spirit.*"[47] These settlements seem to be of a final and decisive nature; arithmetical illusions such as popular elections, normal partisan politics and the coalition-spirit do not play any role in this governmental theory.

In foreign relations the recent *putsch* helped to clarify the Hungarian picture. The country's foreign political position is determined by her peripheral location in eastern-central Europe. The United States and Great Britain are forced to admit that in this area the Soviet Union has certain minimal claims to *economic* and *strategic* security. National planning, industrial recovery and financial stabilization are strongly encouraged in order to meet the enormous reparations and bolster up the impressive one-way movement of goods to the U.S.S.R. Following a broad interpretation of security, the Soviet has also compelled these neighbor countries to accept its choice of governmental personnel and methods of national administration. Thus the entire field of domestic affairs is subordinated to the dictates of foreign interests. Hungary has travelled a long and politically arduous road in the last two years; past the brief illusions of a renascent post-war democracy she is now apparently headed toward the more permanent status of a political and economic satellite nation.

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47 Cf. Béla Fogarasi, "A dunai népek együttmükódése," *Társadalmi Szemle* (*Social Survey*), May, 1946, p. 354. (Italics mine.)